



**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION**

Henry L. Johnson
State Superintendent of Education

SINGLE AUDIT FINDINGS

February 18, 2005

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

In accordance with your January 26, 2005, correspondence, the Mississippi Department of Education is providing the following responses and corrective action plans for the single audit findings for the fiscal year ended June 30, 2004:

AUDIT FINDINGS:

10.558 Child and Adult Care Food Program

Allowable Costs/Cost Principles

04-02 Controls over the Classification of Program Expenditures Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

As noted in the finding, the problems associated with the on-line claims application system had already been detected by program staff prior to audit. The necessary corrections to the accounting records have been completed for previous transactions that were incorrectly coded. All federal reports have been updated accordingly. In addition, the Mississippi Department of Education, Office of Child Nutrition has completed the necessary system modifications to ensure all future transactions are coded to the proper reporting category.

B. Name of the contact person responsible for corrective action:

Gary May, Director
Office of Child Nutrition

C. Anticipated completion date for corrective action:

Corrective action procedures have been completed.

84.027 Special Education - Grants to States
84.173 Special Education - Preschool Grants

Allowable Costs/Cost Principles

04-03 Controls over Input of Revised Budget Allocations Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education, Office of Special Education will strengthen controls to ensure revised Part B and Preschool allocations to Local Educational Agencies (LEAs) are properly reflected in the Statewide Automated Accounting System (SAAS). When revisions to LEA allocations are processed, program staff will perform follow up procedures by manually verifying that revised budgets have been properly entered into SAAS. This verification process will be documented in the project files.

For errors noted by the auditors, the Office of Special Education will ensure that the necessary corrections to LEA budgets are made in SAAS.

B. Name of the contact person responsible for corrective action:

Paulette White, Director
Bureau of Support Services, Program Management, and Data Services
Office of Special Education

C. Anticipated completion date for corrective action:

April 30, 2005

84.027 Special Education - Grants to States
84.173 Special Education - Preschool Grants

Matching, Level of Effort, Earmarking

04-04 Controls over Earmarking Requirements Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education, Office of Special Education will strengthen controls over the calculation of Part B and Preschool allocations to LEAs. Duties will be properly segregated to ensure all data entry into the spreadsheet used to calculate LEA allocations is subjected to a thorough supervisory review. In addition, program directors will ensure that data is obtained from the proper source and that adequate supporting documentation is maintained in the Office of Special Education. Also, periodic reviews will be performed by the Bureau Director to ensure that LEA project budgets entered into the Statewide Automated Accounting System (SAAS) are in agreement with the LEA allocations calculated by the Office of Special Education. All supervisory reviews will be documented.

The Office of Special Education will contact the United States Department of Education for guidance in determining the most appropriate remedy for the incorrectly calculated LEA allocations of the 2003 Part B and Preschool grants.

B. Name of the contact person responsible for corrective action:

Paulette White, Director
Bureau of Support Services, Program Management, and Data Services
Office of Special Education

C. Anticipated completion date for corrective action:

Periodic comparisons of LEA allocations to SAAS project budgets will be implemented by April 30, 2005. Procedures to ensure the propriety of data used to calculate LEA allocations will be implemented during the allocation process of the 2005 grant awards.

84.010 Title I Grants to Local Educational Agencies

Matching, Level of Effort, Earmarking

04-05 Controls over Maintenance of Effort Requirements Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education, Office of Innovative Support will strengthen controls to ensure that LEA maintenance of effort is properly calculated. Currently, data is entered into the spreadsheet used to calculate LEA maintenance of effort by staff in the Office of Financial Accountability. Procedures will be implemented to ensure this data entry is subjected to an independent review by a program supervisor in the Office of Innovative Support. In addition, the program supervisor will review the propriety of spreadsheet formulas to ensure data is correctly calculated. This independent review will be documented in writing.

In regard to the school district that had not maintained the required level of effort from fiscal year 2001 to fiscal year 2002, it was noted that the drop in fiscal effort was unusually large in comparison with other LEAs and in comparison with changes in the district's own enrollment. Therefore, the Office of Innovative Support is coordinating a review of the LEA's expenditure data to ensure that proper amounts were initially reported to the Mississippi Department of Education. The results of this review will determine whether the LEA met the maintenance of effort requirement and if it will be necessary to pursue the recovery of overallocated funds.

B. Name of the contact person responsible for corrective action:

Nikisha Ware, Director
Office of Innovative Support

C. Anticipated completion date for corrective action:

May 30, 2005

84.027 Special Education - Grants to States
84.173 Special Education - Preschool Grants

Matching, Level of Effort, Earmarking

04-06 Controls over Compliance with Earmarking Requirements Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

As noted in the finding, after the errors were brought to the attention of program management, the necessary corrections/adjustments were made to the 2001 Part B grant to ensure the required maximum and minimum earmarking levels were met for state set-aside activities, capacity building subgrants, and minimum flow-through subgrants. For the 2003 Preschool grant the budgeted earmarking allotment for administration was corrected in the Statewide Automated Accounting System (SAAS).

To ensure earmarking requirements are met for future grant awards, the Mississippi Department of Education, Office of Special Education will strengthen controls over the budgeting of earmarking allotments. The Financial Coordinator will determine the proper budget amount for each of the earmarking areas of the grants in accordance with federal regulations. The budget amounts will be reviewed and approved by the Bureau Director prior to submission to the Office of Budget and Planning for entry into SAAS. Supervisory reviews will be documented in writing. In addition, the Bureau Director has begun monthly comparisons between budgeted earmarking allotments and actual expenditures-to-date to ensure maximum spending limits are not exceeded and that minimum expenditure levels are reached.

- B. Name of the contact person responsible for corrective action:

Paulette White, Director
Bureau of Support Services, Program Management, and Data Services
Office of Special Education

- C. Anticipated completion date for corrective action:

Corrections to ensure earmarking requirements are met for the 2001 and 2003 grant awards have been completed. The periodic budget comparisons have been implemented. The additional control procedures described will be implemented during the budgeting process for the 2005 grant awards.

84.010 Title I Grants to Local Educational Agencies

Period of Availability of Federal Funds

04-07 Controls over Carryover Requirements Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education, Office of Innovative Support will strengthen controls to ensure that requirements related to the 15% carryover limitation are met. A listing of waivers granted to LEAs will be developed and maintained in the Office of Innovative Support. When a LEA requests a waiver of the 15% carryover limitation, program staff will reference this listing to ensure that a waiver is not issued to the LEA more than once every three years. The entry of data onto the waiver listing will be reviewed for accuracy by supervisory personnel. Supervisory reviews will be documented in writing.

- B. Name of the contact person responsible for corrective action:

Nikisha Ware, Director
Office of Innovative Support

- C. Anticipated completion date for corrective action:

May 30, 2005

84.010 Title I Grants to Local Educational Agencies
Special Tests and Provisions

04-08 Controls over Reporting Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education, Office of Innovative Support will strengthen controls over the preparation of the Consolidated State Performance Report. All source documentation for data included in the report will be maintained in the office's central files. The compilation and entry of data by program staff into the electronic file provided by the United States Department of Education will be subjected to a supervisory review, which will be documented in writing.

B. Name of the contact person responsible for corrective action:


Nikisha Ware, Director
Office of Innovative Support

C. Anticipated completion date for corrective action:

Procedures will be adopted by May 30, 2005 and will be placed in operation during the preparation of the next Consolidated State Performance Report.

Should you have any questions or need additional information, do not hesitate to contact me.

Sincerely,



Henry L. Johnson
State Superintendent of Education



**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION**

Henry L. Johnson
State Superintendent of Education

OTHER AUDIT FINDINGS

February 18, 2005

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

In accordance with your January 26, 2005, correspondence, the Department of Education is providing the following responses and corrective action plans for the other audit findings for the fiscal year ended June 30, 2004:

AUDIT FINDINGS:

Controls over Earmarking Requirements Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

As noted in the finding, after the errors were brought to the attention of program management, the budgeted earmarking allotments for the 2003 Title I grant were corrected in the Statewide Automated Accounting System (SAAS).

To ensure earmarking requirements are met for future grant awards, the Mississippi Department of Education, Office of Innovative Support will strengthen controls over the budgeting of earmarking allotments. The Title I Supervisor will determine the proper budget amount for each of the earmarking areas of the grant in accordance with federal regulations. The budget amounts will be reviewed and approved by the Director of Innovative Support prior to submission to the Office of Budget and Planning for entry into SAAS. Supervisory reviews will be documented in writing.

B. Name of the contact person responsible for corrective action:

Nikisha Ware, Director
Office of Innovative Support

C. Anticipated completion date for corrective action:

The budgets of the 2003 Title I grant have been corrected. The additional control procedures described will be implemented during the budgeting process for the 2005 grant award.

Controls over Earmarking Requirements Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

As noted in the finding, after the error was brought to the attention of program management, the budgeted earmarking allotment for state administration for the 2003 Title V grant was corrected in the Statewide Automated Accounting System (SAAS).

To ensure earmarking requirements are met for future grant awards, the Mississippi Department of Education, Office of Innovative Support will strengthen controls over the budgeting of earmarking allotments. The Title V Supervisor will determine the proper budget amount for each of the earmarking areas of the grant in accordance with federal regulations. The budget amounts will be reviewed and approved by the Director of Innovative Support prior to submission to the Office of Budget and Planning for entry into SAAS. Supervisory reviews will be documented in writing.

B. Name of the contact person responsible for corrective action:

Nikisha Ware, Director
Office of Innovative Support

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C. Anticipated completion date for corrective action:

The budget for state administration of the 2003 Title V grant has been corrected.
The additional control procedures described will be implemented during the
budgeting process for the 2005 grant award.

Should you have any questions or need additional information, do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, reading "Henry L. Johnson". The signature is written in a cursive style with a large, stylized "H" and "J".

Henry L. Johnson
State Superintendent of Education